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NEA FOR BURNS/SATTERFIELD; NSC FOR REIDEL AND JOHNSON

E.O. 12958: DECL: 01/16/12
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SUBJECT: READYING PEC DAR TO FILL THE "HAMAS GAP"

CLASSIFIED BY CONSUL-GENERAL RONALD SCHLICHER PER 1.5 (D).

11. (C) SUMMARY: PEC DAR DIRECTOR MOHAMMAD SHTAYYEH REPORTS THAT HE HAS ARAFAT'S BLESSING TO ESTABLISH PEC DAR RELIEF PROGRAMS THAT WOULD FILL THE ASSISTANCE GAP RESULTING FROM THE PA'S CLOSURE OF HAMAS-AFFILIATED CHARITIES. SHTAYYEH WELCOMED U.S. EFFORTS TO ENCOURAGE GULF COUNTRIES TO STEER CHARITABLE CONTRIBUTIONS AWAY FROM HAMAS, AND WAS HAPPY TO HEAR THAT THE USG HAS IDENTIFIED PEC DAR HAS A CONSTRUCTIVE ALTERNATIVE. HE WAS CONFIDENT THAT PEC DAR WAS UP TO THE TASK, CITING ITS 235-PERSON STAFF AND A SOLID REPUTATION FOR TRANSPARENCY AND EFFECTIVENESS. SHTAYYEH IS PLANNING TO ESTABLISH A NEW DEPARTMENT OF POVERTY ALLEVIATION AND RELIEF WITHIN PEC DAR THAT WOULD FOCUS ON WELFARE ASSISTANCE (PROVIDING FOOD, CASH, AND HOUSING), JOB CREATION VIA MICRO-GRANTS/LENDING AND A JOB PLACEMENT/SUBSIDY PROGRAM. SHTAYYEH ARGUED STRONGLY THAT THE BEST WAY TO PUT HAMAS OUT OF THE WELFARE BUSINESS IS TO PROVIDE BETTER SERVICES THROUGH OTHER CHANNELS. END SUMMARY.

POSITIONING PEC DAR TO FILL THE HAMAS GAP

12. (C) IN A JANUARY 16 CONVERSATION WITH ECON CHIEF, MOHAMMED SHTAYYEH -- DIRECTOR OF THE PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (PEC DAR) -- REPORTED THAT HE MET WITH ARAFAT SOON AFTER THE PA'S DECISION TO CLOSE THE HAMAS CHARITIES. DURING THAT MEETING, SHTAYYEH NOTED THAT THE PA'S DECISION TO CLOSE HAMAS-AFFILIATED CHARITIES AND OTHER INSTITUTIONS THREATENS TO CREATE A SO-CALLED "HAMAS GAP," AS EMERGENCY RELIEF AND OTHER ASSISTANCE PROVIDED BY THESE INSTITUTIONS ENDS. SHTAYYEH SAID HE HAD ADVOCATED WITH ARAFAT THAT THE PA COULD NOT CLOSE THE CHARITIES WITHOUT ENSURING THAT BENEFICIARIES CONTINUED TO RECEIVE ASSISTANCE. ARAFAT HAD AGREED AND ASKED FOR A PROPOSAL, WHICH SHTAYYEH HAD PROVIDED IN THE FORM OF A BRIEF PAPER. ARAFAT HAD APPROVED THE PAPER AND INSTRUCTED THAT IT SHOULD BE DISTRIBUTED TO MINISTER FOR LOCAL GOVERNMENT SA'EB EREKAT AND MINISTER FOR NGO AFFAIRS HASSAN ASFOUR.

13. (C) SHTAYYEH REPORTED THAT ASFOUR HAD SUBSEQUENTLY APPROACHED HIM TO SAY THAT HE WAS "PLEASED" WITH THE INITIATIVE, BUT ALSO HAD SOME IDEAS OF HIS OWN. IN PARTICULAR, ASFOUR HAD STRESSED THE NEED TO WORK WITH NGOS IN PROVIDING RELIEF. MINISTER OF SOCIAL AFFAIRS INTISSAR AL-WAZIR (UMM JIHAD) HAD ALSO CALLED HIM AND HAD EXPRESSED CONCERN THAT SHTAYYEH WOULD BE IMPINGING ON THE MINISTRY'S OWN RELIEF EFFORTS. SHTAYYEH HAD ASSURED HER THAT HE WOULD WORK CLOSELY WITH THE MINISTRY. SHTAYYEH ACKNOWLEDGED THAT THERE WOULD LIKELY BE ONGOING TURF ISSUES NOT ONLY WITH THESE PA MINISTRIES BUT ALSO WITH EXISTING (NON-HAMAS) NGOS. HE HOPED PEC DAR COULD OPERATE AS A KIND OF BROKER BETWEEN DONORS, THE MINISTRY OF SOCIAL AFFAIRS (WHO WOULD PROVIDE LISTS OF WELFARE CASES) AND NGOS AND MUNICIPALITIES WHO WOULD BE INVOLVED IN IMPLEMENTING PROGRAMS. HE ALSO HOPED THAT OVER TIME PEC DAR COULD BECOME A CENTRALIZED VEHICLE FOR CHANNELING ASSISTANCE FROM ZAKAT COMMITTEES (RESPONSIBLE FOR COLLECTING AND DISBURSING ISLAMIC ALMS).

14. (C) DESPITE THE FACT THAT PEC DAR HAS BUILT ITS REPUTATION ON IMPLEMENTATION OF CONSTRUCTION PROJECTS,

NOT SOCIAL WELFARE AND EMERGENCY RELIEF, SHTAYYEH ARGUED THAT PECДАР WAS WELL POSITIONED TO FILL THE HAMAS GAP. IT HAD A 235-PERSON STAFF, HE SAID, AND SINCE 1995 HAD DISBURSED OVER \$110 MILLION IN EMPLOYMENT GENERATION PROJECTS FOR A VARIETY OF DONORS INCLUDING THE WORLD BANK, GERMANY, AND SWEDEN. IT WAS ALSO IMPLEMENTING A COMMUNITY DEVELOPMENT PROGRAM WITH THE WORLD BANK AND MUCH OF ITS CONSTRUCTION WORK HAD FOCUSED ON SMALL-SCALE PROJECTS RELATING TO SCHOOLS AND CLINICS.

WHAT IF A MILLION DOLLARS ARRIVED TOMORROW?

15. (C) ECON CHIEF INFORMED SHTAYYEH THAT THE USG HAS URGED GULF COUNTRIES TO CONSIDER PECДАР AS A POLITICALLY CONSTRUCTIVE CHANNEL FOR EMERGENCY ASSISTANCE TO THE PALESTINIANS. SHTAYYEH WAS APPRECIATIVE, AND WAS CONFIDENT THAT IF NEW FUNDS FROM THE GULF ARRIVED HE WOULD BE POSITIONED TO CHANNEL THE ASSISTANCE TOWARD RELIEF ACTIVITIES. ASKED WHAT HE WOULD DO IF A MILLION DOLLARS ARRIVED TOMORROW, HE SAID HE WOULD FOCUS ON EMERGENCY HOUSING AND FOOD AND CASH ASSISTANCE IN SOUTHERN GAZA. AS A FIRST STEP, IN ORDER TO ASSESS THE DIMENSIONS OF THE CHALLENGE, SHTAYYEH HAD ALREADY ASKED OFFICIALS IN THE SECURITY SERVICES TO PROVIDE HIM WITH A LIST OF THE BENEFICIARIES OF THE HAMAS CHARITABLE INSTITUTIONS THAT HAD BEEN SHUT DOWN.

A THREE PRONGED STRATEGY FOR PECДАР

16. (C) LOOKING TO THE MEDIUM AND LONGER-TERM, SHTAYYEH SAID HE HAD BEGUN DESIGNING A NEW PECДАР DEPARTMENT THAT WILL FOCUS ON POVERTY ALLEVIATION AND RELIEF. THE DEPARTMENT WOULD FOCUS ON THREE AREAS, WITH AN INITIAL EMPHASIS ON EMERGENCY RELIEF. MOST OF HAMAS' EFFORTS OVER THE LAST 15 MONTHS HAVE BEEN IN THIS AREA, HE SAID, INCLUDING THE PROVISION OF FOOD PACKAGES AND CASH TO THE NEEDY. FOR STARTERS, SHTAYYEH HOPED TO ASSIST FAMILIES IN RAFAH WHOSE HOMES WERE DESTROYED LAST WEEK BY THE IDF. THE ARAB LIBERATION FRONT (A MINOR PALESTINIAN POLITICAL PARTY) HAD ALREADY BEEN IN RAFAH OVER THE LAST WEEK DISTRIBUTING IRAQI MONEY TO AFFECTED FAMILIES, HE SAID. ONE AREA WHERE HAMAS HAD BEEN QUITE EFFECTIVE FOR OVER A DECADE WAS IN PROVIDING EMERGENCY HOUSING TO FAMILIES WHOSE HOMES HAD BEEN DESTROYED, SHTAYYEH ADDED, AND HE HOPED THAT PECДАР WOULD BE ABLE TO SUPPLANT SUCH ASSISTANCE. THERE WERE FAMILIES IN SOUTHERN GAZA WHO HAD BEEN LIVING IN TENTS FOR FIVE OR SIX MONTHS, HE NOTED, AND GIVEN FUNDING PECДАР COULD RENT APARTMENTS FOR THEM.

17. (C) SECONDLY, THE NEW PECДАР DEPARTMENT WOULD FOCUS ON JOB CREATION VIA MICRO-PROJECTS. THIS WOULD ENTAIL OFFERING SMALL GRANTS OF UP TO \$2000 TO NEEDY FAMILIES TO HELP THEM, FOR EXAMPLE, TO BUY SEWING MACHINES OR FARM ANIMALS TO INCREASE THEIR INCOMES. OTHERS WOULD BE PROVIDED TRAINING TO ENABLE THEM TO QUALIFY FOR SLIGHTLY LARGER AMOUNTS VIA MICRO-LENDING PROGRAMS OFFERED BY USAID AND THE PALESTINIAN DEVELOPMENT FUND. THIRDLY, PECДАР WOULD INITIATE A JOB PLACEMENT-SUBSIDY PROGRAM, WHEREBY EMPLOYERS WOULD BE OFFERED A ONE-YEAR, 50 PERCENT SUBSIDY ON THE SALARIES OF NEW EMPLOYEES.

HOW TO PUT HAMAS OUT OF THE CHARITY BUSINESS

18. (C) SHTAYYEH ARGUED THAT, OVER THE LONG RUN, THE BEST WAY TO BEAT HAMAS WAS NOT TO SHUT DOWN THEIR CHARITIES BUT TO OUT-COMPETE THEM BY PROVIDING BETTER, ALTERNATIVE SERVICES. MOST PALESTINIANS ONLY TURNED TO HAMAS SERVICES IF THERE WAS NO ALTERNATIVE, HE SAID, OBSERVING THAT HAMAS WAS OPERATING KINDERGARTENS IN REMOTE AREAS FOR PRECISELY THIS REASON. AT THE SAME TIME, ANY DONOR-FUNDED EFFORT TO SUPPLANT HAMAS SHOULD NOT BE PUBLICLY DESCRIBED AS SUCH. HAMAS CHARITIES SHOULD BE MADE IRRELEVANT VIA A QUIET, APOLITICAL, LONG-TERM, SYSTEMATIC

PUBLIC WELFARE AND RELIEF EFFORT. WHEN ECON CHIEF SUGGESTED THAT HE CONSIDER A FUND-RAISING TOUR IN THE GULF, SHTAYYEH AGREED, BUT STRESSED THAT IT SHOULD NOT BE PUBLICLY BILLED AS AN ANTI-HAMAS EFFORT. FOR ONE THING, A FUND-RAISING EFFORT PUBLICLY IDENTIFIED WITH SUCH A POLITICAL OBJECTIVE WOULD LIKELY INSPIRE LESS GENEROSITY IN THE GULF THAN ONE THAT FOCUSED SIMPLY ON THE NEEDS.

COMMENT

¶9. (C) ECON CHIEF SPOKE SEPARATELY WITH NORWEGIAN REPRESENTATIVE GEIR PEDERSEN WHO INDICATED NORWAY'S WILLINGNESS TO PROVIDE TECHNICAL ASSISTANCE TO PEC DAR TO HELP IT RETOOL FOR ITS NEW ROLE. PEDERSEN SPOKE SUBSEQUENTLY WITH SHTAYYEH, WHO WELCOMED THE OFFER. PEDERSEN ENVISAGES THAT THE HAMAS GAP WILL BE A CENTRAL, IF IMPLICIT, ISSUE AT THE AD HOC LIAISON COMMITTEE (AHLIC) MEETING PLANNED FOR EARLY MARCH, AND HE HAS URGED SHTAYYEH TO PREPARE A PRESENTATION FOR THAT MEETING.

¶10. (C) DESPITE THE POTENTIAL TURF ISSUES OF WHICH SHTAYYEH IS FULLY AWARE, WE ARE ENCOURAGED BY SHTAYYEH'S EFFORTS SO FAR AND REMAIN CONVINCED THAT PEC DAR IS INDEED THE BEST OPTION FOR REDIRECTING ARAB ASSISTANCE AWAY FROM HAMAS CHARITIES. PEC DAR HAS A STRONG REPUTATION FOR FINANCIAL TRANSPARENCY AND EFFECTIVENESS, AND HAS SUCCESSFULLY IMPLEMENTED NUMEROUS PROJECTS FOR THE WORLD BANK AND EUROPEAN DONORS. IT IS NOT AN OFFICIAL PA ENTITY, WHICH WILL LIKELY BE ADVANTAGE IN ATTRACTING ASSISTANCE FROM GULF DONORS. AT THE SAME TIME, SHTAYYEH OPERATES IN THE PA ORBIT AND WILL IMPLEMENT THE PA LINE AS HE DOES HIS BEST TO DRY UP THE MARKET FOR HAMAS CHARITY. HOWEVER, SHTAYYEH IS ALSO FAMED AS AN "EMPIRE BUILDER" AND THE NORWEGIANS AND WE WILL HAVE TO WORK WITH HIM TO DESIGN A PROGRAM THAT WORKS EFFECTIVELY AND COLLEGIAALLY WITH LEGITIMATE PALESTINIAN NGOS. WE ALSO TAKE SHTAYYEH'S POINT THAT WE WILL PROBABLY MAKE HIS FUNDRAISING AND IMPLEMENTATION JOB THAT MUCH MORE DIFFICULT IF WE PAINT IT PUBLICLY AS A POLITICAL, ANTI-HAMAS INITIATIVE -- BUT WE WILL CONTINUE TO MAKE IT CLEAR TO SHTAYYEH THAT OUR POLICY IS THAT THE HAMAS INSTITUTIONS MUST BE, AND REMAIN, CLOSED, NOT SLOWLY MADE IRRELEVANT BY PEC DAR'S AND OTHER EFFORTS.

SCHLICHER